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SUBJECT: REPORT OF THE 33ND FAO CONFERENCE, INCLUDING THE
CONTIGUOUS 129TH AND 130TH FAO COUNCIL SESSIONS

REF: (A) STATE 209955, (B) ROME 3976, (C) ROME 3980

Summary

1. At the meetings of the Conference and Council of the UN Food and Agriculture Organization (FAO), held in Rome from 16 to 28 November 2005, member governments discussed international anti-hunger, food policy and agricultural trade issues, and the key institutional questions of the organization's budget, leadership and reform. Secretary of Agriculture Mike Johanns led the U.S. delegation to the Conference. Among the significant developments at the Conference were:

-- re-election of Jacques Diouf, uncontested candidate from Senegal, as Director General (DG) for a third and (by his own announcement) final term;

-- approval of a budget appropriation of \$765.7 million for the 2006-07 biennium -- a 2.2% nominal increase -- with the U.S. and Japan voting against the resolution;

-- acceptance of the rationale and general principles of the DG's reform proposals, with phased and conditional implementation of restructuring for FAO headquarters and field offices;

-- agreement on terms of reference and oversight mechanisms for the Independent External Evaluation (IEE) of FAO, with initiation of work subject to available voluntary contributions;

-- election of the American-educated former Iranian Permanent Representative, Prof. Mohammad Noori-Naeini, as Independent Chair of the FAO Council;

-- election or re-election of members to four FAO governing bodies (Council, Program Committee, Finance Committee, Committee on Constitutional and Legal Matters) and six members to the Executive Board of the World Food Program (WFP); and

-- postponement until the November 2006 Council of consideration of a potentially contentious measure that would, among other things, authorize FAO to accord benefits to registered partners (including same-sex partners) of FAO employees, if the laws of the country of nationality of the FAO employee recognized the partnership.

End summary.

Overview

2. The 33rd biennial ministerial-level meeting of FAO member governments --- known as the FAO Conference -- was held in Rome from 19 to 26 November 2005. A 3-day preparatory meeting of the organization's 49-member executive body, the FAO Council, preceded the Conference. An additional Council meeting that included newly elected members was held on 28 November, principally to elect new members and officers for various governing committees. The U.S. delegation included USDA Secretary Mike Johanns, U/S J.B. Penn, U/S Eric Bost, and Ambassador Tony Hall. Reftel contains the full delegation list. This cable covers highlights of the FAO meetings that were of particular relevance and interest to the USG. The full set of meeting documents is available from the Council and Conference links on FAO's home page, www.fao.org.

Secretary Johanns' Statement

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13. In his Conference plenary remarks, Secretary Johanns stressed the importance of agriculture in the upcoming WTO Ministerial, and the opportunity the Hong Kong meeting represents for developing countries to share in the benefits of expanded global trade. He noted countries' uneven progress toward the Millennium Development Goal for poverty reduction, and pointed to the need to fully implement the Monterrey Consensus by creating a genuine partnership between developed and developing countries. The Secretary highlighted establishment of the Millennium Challenge Account and USG commitments to increase its development assistance, with special focus on Africa and humanitarian emergencies.

14. Secretary Johanns emphasized that the developing world stands to gain enormously under the Doha Round, and that agricultural trade is a critical component in the negotiations -- hence the recent U.S. proposal to increase market access, reduce trade-distorting domestic support, and eliminate export subsidies. He affirmed the U.S. commitment to helping developing countries participate in a liberalized trading regime by promoting worldwide science-based standards, such as those of the Codex Alimentarius Commission and the Internal Plant Protection Convention. He urged that these two bodies receive adequate funding under FAO's budget.

15. The Secretary praised FAO's work to combat avian influenza. He expressed concern that the DG's reform proposals seem to shift the organization's focus away from its traditional standard-setting activities and data collection and analysis, where FAO's unique advantage lies. He stressed the need to view reform of FAO in the broader context of the Independent External Evaluation, and paced with the budget. He reiterated the importance the U.S. attaches to FAO's mission and to the effort to bring developing countries into an expanding circle of trade and development.

Secretary Johanns' Other Activities

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16. On the margins of the FAO events, Secretary Johanns met with DG Diouf and had bilateral meetings with counterparts from Australia, Italy, Iraq, Mexico, and the European Commission. He spoke to a gathering of American employees of the Rome-based UN agencies, and had the opportunity to meet other delegation heads at a reception hosted by Ambassador Hall. The Secretary and Ambassador Hall attended an audience for agricultural ministers with Pope Benedict XVI. He met other senior Vatican officials during a dinner hosted by the U.S. Ambassador to the Holy See. A press conference organized by the U.S. Mission in coordination with Embassy Rome provided a setting for the Secretary to convey USG messages to Italian and

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international media. One article of note by Associated Press, which garnered about 100 headlines in worldwide media, quoted Sec. Johanns on the role of economic relationships with developing countries in the fight against hunger.

Ambassador Hall's Statement

17. Earlier, during the 129th Council discussion on FAO's Program of Work and Budget (PWB), Ambassador Hall stressed that the U.S. remains a strong supporter of FAO and its mission, while underscoring the U.S. budget position of Zero Nominal Growth for the 2006-07 biennium. Observing that organizations should focus on those areas where they can have the most impact, he emphasized that FAO could make the greatest contribution to food security through its normative work, including standard-setting bodies, comprehensive data on agricultural, forest and fishery products, efforts to control pest outbreaks and animal diseases, and assistance in recovery from disasters. Having just returned from a visit to Guatemala (ref C), he praised FAO's work there.

18. Turning to the budget level for the upcoming biennium, the Ambassador said the level should be scaled to members' ability to pay. He noted that 64 members were currently in arrears. He explained that these circumstances made a growth budget unrealistic, and called on member states to be realistic and focus on

efficiencies and increased prioritization in projecting expenditures and its program of work for the 2006-07 biennium.

Other Substantive Issues

¶9. **FAO and the WTO Negotiations:** On the eve of the Council, November 15, DG Diouf chaired a briefing for permanent representatives to discuss preparations for the WTO ministerial. He outlined key aspects of FAO's support to the negotiations: (1) organization of regional workshops on technical issues, (2) launching of a series of FAO Trade Policy Technical Notes and Policy Briefs, (3) publication of "The State of Agricultural Commodity Markets," (4) strengthening of the FAO Liaison Office in Geneva, (5) enhancement of the multilingual website on agricultural trade (www.fao.org/trade), and (6) ongoing trade-related assistance to developing countries on compliance, technical standards, and WTO-consistent agricultural development and intellectual property policies.

¶10. **International Conference on Agrarian Reform and Rural Development (ICARRD):** The Council supported the holding of ICARRD in Porto Alegre, Brazil, in March 2006. Themes that emerged from the discussion included greater south-south sharing of experiences, learning from both failed and successful experiences, and the importance of good governance and other factors, especially markets for high value products, the availability of finance, and programs designed to benefit women. The U.S. delegation stressed: (a) secure property rights and access to finance, (b) supportive policy frameworks, (c) applied science and technology, (d) robust domestic markets and international trade opportunities, (e) enhanced human capital, and (f) protections for the vulnerable. Brazil is contributing \$450,000 to support ICARRD.

¶11. **Avian Influenza:** A presentation highlighting FAO's response to the threat of avian influenza (AI) attracted great interest and expressions of support for FAO's pivotal role in combating AI. See ref B for details.

¶12. **Special Event on Gender Equality:** A special round table on gender was convened to raise awareness of the importance of gender equality in access to productive resources. The briefing highlighted that gender inequality is impeding the attainment of Millennium Development Goal 1, especially in agricultural production, access to land and microcredit. FAO's Gender and Development Plan of Action (GAD PoA) aims to work with countries to achieve equality through improved access to adequate nutrition and food, natural resources, markets, credit, and technology, and support of agrarian reform. In his intervention, U/S Bost congratulated FAO on its implementation of the GAD PoA report for 2002-2007, and commended the organization for an active and productive gender and development program.

¶13. **Special Event on Water for Agriculture in Africa, the Near East and Small Island Developing States (SIDS):** A special round table was convened to review action taken to improve water management for agriculture and identify priorities for action in the short and medium term. It consisted largely of statements by developing-country delegates, with little meaningful discussion. DG Diouf's call for investment in large irrigation schemes at the opening was not echoed in most subsequent interventions.

¶14. **Awards:** Among the honorees were an American FAO field officer who worked in Cambodia, two Wall Street Journal reporters, and the Agreement on the International Dolphin Conservation Program (AIDCP). Ambassador Hall took the floor to acknowledge the accomplishments of the awardees, making special note of the success of the AIDCP in sharply reducing dolphin mortality in tuna fisheries.

¶15. **Keynote:** Rev. David Beckmann, President of "Bread for the World," a U.S. grassroots citizen movement, delivered the McDougall Memorial Lecture on the first day of the Conference. Beckmann spoke about building political will and developing a global alliance to end hunger.

¶16. **Anniversary Declaration:** The Conference adopted a declaration marking the 60th Anniversary of FAO. The text was based on a draft prepared by the Secretariat in October, and further refined through negotiations among permreps before and during the Conference. The declaration calls on FAO "to redouble its efforts to translate the vision of its founders into further actions to ensure humanity's freedom from poverty and hunger...."

¶17. **Triennial Comprehensive Policy Review (TCPR) Resolution:** Switzerland and the UK, later joined by

Brazil, Belgium, Canada, Dominican Republic, Germany, the Netherlands, New Zealand and Norway as cosponsors, gained approval for a resolution that requests FAO to take appropriate actions to implement UNGA Resolution 59/250 (which calls for strengthening of the operational activities for development of the UN System, particularly at the country level).

Re-election of the Director General

18. DG Jacques Diouf, the sole candidate, sought a third term of office. He was re-elected in a secret ballot with 137 votes in favor, 9 against, and 19 abstentions. During remarks after his re-election, the DG made it known that this would be his final term.

19. Comment: Many present interpreted the significant number of negative votes and abstentions as a signal of dissatisfaction, primarily from OECD countries, with the candidate's leadership and with his quest for re-election in violation of the spirit (if not the letter) of the DG term limits that were adopted by the previous Conference but that do not take effect until 2006. End comment.

Reform of FAO

20. The DG's reform proposals emerged as one of the most difficult and time-consuming issues on the Conference agenda. The DG's proposals had been presented to members in a series of three documents released since September. Many members welcomed the spirit of these proposals and some of the common-sense efficiency and streamlining measures they contained. Among the more thoughtful members, however, there was concern that some of the measures required a more careful deliberative process involving the FAO governing bodies, that some had significant budget implications, and that some would prejudice the findings of the Independent External Evaluation.

21. Nevertheless, the DG remained insistent that his reforms be adopted as a single package, and he worked openly through surrogates among the G-77 countries to polarize the discussion. Most developed countries advocated a phased approach that would defer the most sweeping and costly reforms until interim results from the IEE would be available. The Nordics took a stance that was more favorable to the DG, in part because they felt they instigated the latter's proposals during a Stockholm ministerial meeting with Diouf in the summer of 2005.

22. To work through the impasse, the Independent Chair of the Council headed a working group that met for long hours late into the night. The U.S. delegation sought to craft a face-saving compromise whereby the DG's reforms would be accepted in principle, but the sweeping restructuring of FAO Headquarters and the creation of numerous new subregional posts would be deferred pending results of pilot studies and the IEE. The intransigence of leading G-77 delegates prolonged the debate, but consensus was finally reached on a resolution that, inter alia:

-- welcomed the DG's reform initiatives;

-- noted that reforms could be initiated regardless of budget level, and the DG's intention to seek extrabudgetary support to meet part of the transition costs;

-- looked forward to the IEE results;

-- expressed general support for the rationale and guiding principles of the DG proposals;

-- supported streamlining business processes;

-- endorsed a new Program of Work and Budget (PWB) chapter structure;

-- requested as a first stage the implementation of decentralization proposals in one region (presumably Africa) and the creation of one subregional office in another region, with a future Council to decide on further implementation;

-- authorized a first stage in implementation of headquarters restructuring, but without an increase in the number of departments; and

-- asked the DG to consult with members about the

possible need for an extraordinary Council session in June-July 2006.

Program of Work and Budget for 2006-07

¶23. Setting the budget level for the coming biennium was the other major contentious issue before the Conference. Initially, delegates had staked out a range of positions, with nearly all G-77 countries calling for a Real Growth budget. Many OECD countries advocated a scenario between Zero Nominal Growth (ZNG) and Real Growth. The USG stressed that only ZNG was a realistic scenario, given members' difficulties in meeting current assessments, as evidenced by pervasive late payments and mounting arrears. Japan made a strong plea for a less-than-ZNG budget.

¶24. Discussions on the budget took place in a working group chaired by the Armenian permrep. Sometime after midnight on Thanksgiving Night the group reached a conclusion that appeared acceptable to all members except the U.S. and Japan, viz., a total budgetary appropriation of \$765.7 million. This represented a 2.2% expenditure increase over the current biennium. Of the \$16.6 million in increased expenditure, \$10.6 million would be budgeted for security costs that were accommodated in the 2004-05 budget, but which the Secretariat claimed could not be absorbed in 2006-07. Under this scenario the Secretariat claimed total programs would decrease by \$38.6 million. With the addition of \$14.1 million for amortization of after-service medical coverage (ASMC) and minus \$6 million in anticipated miscellaneous income, the total assessments to member states would be \$773.8 million, a nominal increase of 2.6%.

¶25. The U.S. and Japan had offered to support up to \$2.8 million in additional security costs for the 2006-07 biennium, as the Secretariat indicated this was the amount it might not be able to absorb in the 2004-05 biennium. Other member states were not swayed, and the budget resolution was brought to a vote during the final Conference session on November 26. The resolution passed with 117 members voting in favor, 2 voting against (U.S. and Japan), and 1 abstention (Argentina).

Independent External Evaluation (IEE)

¶26. The Council (and subsequently the Conference) endorsed the report of the Intersessional Working Group (ISWG) that had been making preparations for the IEE since January 2005. The ISWG had concluded that "all members have become further convinced that a fully independent, impartial and professional IEE can make a unique contribution in building a more effective FAO." In accepting the ISWG report, the Council:

- urged all members to contribute funds for the IEE;
- decided that the IEE be initiated as soon as possible, subject to availability of funds, in order that the evaluation report could be completed in time for the November 2007 Council and Conference;
- adopted the ISWG's recommendations regarding (1) terms of reference for a Council Committee (CC) to oversee the entire evaluation process, (2) terms of reference for the IEE, and (3) definition of an appropriate supporting role of the Secretariat;
- recognized that the Inception Report will provide an occasion to refine the terms of reference and budget; and
- appointed Brazilian Ambassador Flavio Perri (who chaired the ISWG) as chairperson for the CC that would oversee the IEE process.

¶27. Comment: The ISWG has been noteworthy for the degree of consensus and buy-in achieved among all members on the need for an IEE and on a process to carry it out. That consensus held together during the Council and Conference, but was severely tested during discussions of the DG's reform proposals, when most OECD countries affirmed that the IEE should come before a major reorganization, while the G-77 generally wanted to give the DG a green light for restructuring FAO, with the IEE to provide insights later on. The resolution on reform that was finally approved by the Conference (paras 20-22 above) sought to bridge these different views. An important early task for the CC therefore will be to decide how the IEE terms of reference should be amended or adapted so as to provide interim IEE input to the governing bodies on aspects of the DG's reforms that will

soon be underway. The other major concern for the CC will be to raise the necessary funds to launch the IEE promptly. Initial USG contributions to the IEE process amounting to \$250,000 have been approved and were announced. The total IEE cost is estimated at \$4.3 million. End comment.

Independent Chair of the FAO Council

¶28. The other major election during the Conference was that for the Independent Chair of the Council. There were two candidates:

-- Ambassador Mohammad Noori-Naieni (Iran), a well-known, well-liked and respected permrep with a Ph.D. from Cornell and over a decade of experience in Rome with FAO, WFP and IFAD; and

-- Prof. Roelof Rabbinge (Netherlands), a respected academic and agricultural expert from a country that has been a major voluntary contributor to FAO's work, but an individual who had limited previous experience with the organization or the permrep community in Rome.

In the end, Noori squeaked by with 78 votes, compared to Rabbinge's 77 votes.

¶29. Comment: Clearly, Noori's Iranian nationality gave many members pause, but many of those who voted against him as signal of distaste for the current regime in Tehran did not appear displeased that he won. This was a situation where one candidate's personal charisma and knowledge of the organization counteracted his nationality. After the election, Noori sought to reassure members by reiterating that he would be an Independent Chair who would indeed be independent from the Secretariat and from his own government. U.S. delegates have been able to work well with Noori in the past, and expect that he will be an effective consensus-builder in his new role. End comment.

Other Institutional Matters

¶30. Committee elections: The Conference elected chairs and members of several governing bodies and committees:

-- Program Committee: UK (Chair), Afghanistan, Australia, Canada, Dominican Republic, India, Jamaica, Libya, Nigeria, Philippines, and South Africa.

-- Finance Committee: Pakistan (Chair), Cote d'Ivoire, Denmark, Germany, Italy, Japan, Paraguay, Peru, Qatar, Italy, USA, and Zimbabwe.

-- Committee on Constitutional and Legal Matters (CCLM): Belgium, Czech Republic, Gabon, Guatemala, Philippines, Syria, USA.

-- World Food Program Executive Board (6 of 36 members selected): Algeria, Austria, Colombia, Slovenia, Switzerland, and Tanzania.

¶31. The Council also took action on two matters deferred from the June 2005 Council:

-- Personal status for Purposes of Staff Entitlement: The CCLM had recommended that the Council ask the DG to adopt an administrative directive consistent with the policy of the UN in New York that determines personal status for the purpose of staff entitlement by reference to the law of nationality of the staff member concerned. This would, inter alia, allow same-sex partners of some FAO employees to receive staff benefits as spouses. When it became evident in preliminary discussions that this measure would be controversial, the Independent Chair of the Council decided to defer the matter. The Council requested the CCLM to review further some aspects of the proposal and report back to it at its regular Session in November 2006. The Secretariat has advised that it expects the International Labor Organization (ILO) Administrative Tribunal to consider this issue in the context of FAO's existing regulations prior to November 2006, in which case further Council action might not be required.

-- Agreement between FAO and the World Intellectual Property Organization (WIPO): The Council approved the revised and shortened draft agreement submitted by the WIPO Secretariat. The USG had questioned an earlier draft that was perceived to have mischaracterized the nature of intellectual property in the agricultural context. In its revised form the agreement will help reinforce links between FAO's work on intellectual

property (i.e., in plant genetic resources) and the expertise available at WIPO.

Comment

132. The November 2005 FAO Council and Conference broached a number of contentious and difficult issues. Even if the outcome was not fully consonant with USG objectives or desires in every case, the discussions and votes allowed the U.S. and like-minded member states to lay down clear markers as the organization moves into a new biennium:

-- On FAO leadership, the Director General gained his re-election, but the significant number of no votes and abstentions made it clear that many of the top donors were dissatisfied and their support cannot be taken for granted.

-- On the budget, the conservative stance of a number of OECD Group countries underscored concerns of contributors about continued budgetary discipline and the need to address mounting arrears.

-- On FAO reform, the consensus resolution that emerged accepted concepts and features of the DG's proposals in a phased and incremental approach, while reaffirming members' prerogatives to scrutinize major restructuring of the headquarters and field posts.

-- On the IEE, the need for a comprehensive evaluation was broadly affirmed, and the importance of IEE findings in steering future reforms of FAO explicitly recognized.

133. Setting FAO on the path to reform has been time-consuming and difficult, but the process is now well underway. As one of the prime movers behind the IEE, the U.S. has been able to exercise a leadership role in reform. Further leadership and deft management will be required to keep the process on track.

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